

6.0 FUNDING ALTERNATIVES

Currently, there is no identified funding for the Build Alternative. This section provides a summary of the available potential alternatives for funding for the Build Alternative. There are several finance mechanisms for investing in freight rail improvements projects. The most common are appropriations from Congress or State agencies such as MDOT, where the project is specifically funded through a legislative or departmental program and authorized by the legislature. There are also other methods of funding capital projects at both the State and Federal level. These other funding sources can be categorized as grants, loans, and tax-expenditure finance programs.

Grants give States and the Federal government the best control over the use of funds. Funds can be targeted to specific projects that solve freight and passenger rail needs. At the Federal level, the longstanding FHWA Section 130 Rail-Highway Grade Crossing Program provides dedicated funding to improve safety at rail grade crossings. The Congestion Mitigation and Air Quality Improvement Program (CMAQ), created in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), has benefited passenger and freight rail intermodal projects where there is an air quality benefit. There are also discretionary grant programs such as the Corridors and Borders Programs established in the Transportation Equity Act for the 21st Century (TEA-21). There are proposals for a Program for Projects of National Significance and a National Infrastructure Investment Bank that may be included in future Federal transportation system funding reauthorization bills. There are also Federal grant programs such as the Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant program and the Rail Line Relocation and Improvement Capital Grant Program that target freight rail projects such as the proposed action described in the Build Alternative.

Loan programs such as Transportation Infrastructure Finance and Innovation Act (TIFIA), Railroad Rehabilitation and Improvement Financing (RRIF), and State Infrastructure Banks (SIBs) are existing loan programs specific to railroad and other transportation infrastructure projects. TIFIA provides loans, loan guarantees, and lines of credit for large capital improvement projects. To qualify for assistance under TIFIA, a project needs a source of revenue to cover debt service costs; the total project must be valued at more than \$100 million or 50 percent of the State's annual Federal-aid highway apportionments, whichever is less; the Federal TIFIA loan cannot exceed one-third of the total project cost; and the project's senior debt obligations must receive an investment-grade rating from at least one of the major credit rating agencies. These factors limit its applicability, and private rail projects are not eligible today (although eligibility is proposed for reauthorization); but TIFIA is an important tool that can be used for financing joint highway and rail projects that meet the program guidelines. RRIF is a loan and credit enhancement program for freight rail. It seems particularly oriented to needs of regional and short-line railroads. The program has been slow to catch on because of features such as "lender of last resort" and a requirement that project recipients assume the credit risk premium. SIBs are designed to complement traditional Federal-aid highway and transit grants by providing States increased flexibility for financing infrastructure investments. Approximately 32 States (not including Mississippi) have SIBs

that provide loans for highway and in some cases transit improvements. Expanded SIB authority in reauthorization could provide States with a mechanism to provide revolving loans and possibly credit enhancement for freight rail improvements in the future. State-only SIBs are another possibility, such as Pennsylvania's initiation of a new State SIB for freight rail.

Tax-expenditure finance programs include accelerated depreciation, tax-exempt bond financing, and tax-credit bond financing. Expansion of tax-exempt private activity bonds for surface transportation has been proposed in the Obama Administration's surface transportation reauthorization bill; these could potentially be beneficial for rail investment. Tax-credit bond financing is a new form of federally subsidized debt financing, where the investor receives a Federal tax credit in lieu of interest payments on the bonds. From the borrower's perspective, it provides a zero-interest-cost loan. These programs can be used to provide targeted, income-tax benefits for investments made to improve the efficiency or increase the capacity of the freight rail system. They have the potential to elevate the rail system's rate of return and simultaneously reduce its cost of capital. States and local agencies will likely want to explore all of these tools including new or expanded ones that may be included in the surface transportation reauthorization legislation, tailoring them to projects that produce public and system-wide benefits.

6.1 FEDERAL PROGRAMS

Federal funding for freight rail projects in the past have largely been limited to rail highway grade crossing safety enhancements and projects that benefit air quality. Recently, however, the U.S. Department of Transportation (USDOT) has developed new finance programs for transportation infrastructure improvements resulting from the American Recovery and Reinvestment Act (ARRA), the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), and related programs sponsored by other federal agencies such as the EPA, HUD, and the Department of Homeland Security. The following Federal sources may be applicable for providing funding for the Build Alternative.

6.1.1 Section 130 Rail-Highway Grade Crossing Program

Under this program, the entire cost of construction projects for the elimination of hazards of railroad-highway at-grade crossings could be funded. Funding under this program must be applied to safety improvements; capacity expansion projects are not eligible. The Build Alternative would almost certainly qualify for funding under this program, as capacity improvements for the roadways are not considered and the Build Alternative would include grade separations or upgraded safety gates at each of the existing at-grade crossings. However, the available funding for this program would not be able to cover the entire cost of the Build Alternative and several applications for this program might be required to secure funding through each construction phase.

6.1.2 National Highway System (NHS) Program

Provides funding to improve highway links on the NHS network, or designated highway connectors to intermodal terminals. Since Main Street (US 278/MS 6) and US 45 are considered part of the NHS, funding from this program could be applied for construction of the Build Alternative.



6.1.3 Surface Transportation Program (STP)

The STP provides funding for roadway improvements over any Federal-aid highway, including improvements that benefit freight rail movement such as lengthening or increasing vertical clearances on highway bridges, or improving at-grade rail crossings. Since Main Street (US 278/MS 6) and US 45 are considered part of the NHS, funding from this program could be applied for construction of the Build Alternative.

6.1.4 Congestion Mitigation and Air Quality Improvement (CMAQ) Program

Jointly administered by FHWA and FTA, the CMAQ program was reauthorized under the TEA-21 in 1998, and, most recently in 2005 under the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Under SAFETEA-LU, the program has provided just under \$9 billion in authorizations to State departments of transportation and metropolitan planning organizations, and their project sponsors, for a growing variety of transportation-environmental projects. As with its predecessor legislation, the SAFETEA-LU has provided CMAQ funding to areas that still face the challenge of attaining or maintaining the NAAQS. In addition, States that have no nonattainment or maintenance areas-facing much less of a clean air challenge-still receive a minimum apportionment of CMAQ funding. An apportioned program, each year's CMAQ funding is distributed to the States via a statutory formula based on population and air quality classification as designated by the EPA.

CMAQ provides funding for transportation projects that improve air quality in designated non-attainment areas. Intermodal freight facility improvements are eligible, and funded projects have included rail yards, branch lines, and clearance improvements.

6.1.5 Transportation Infrastructure Finance and Innovation Act (TIFIA)

TIFIA authorizes credit assistance on flexible terms directly to public-private sponsors of major surface transportation projects of national significance to assist in gaining access to private capital markets. It can provide direct loans, loan guarantees, and lines of credit to support up to one third of a project's cost. TIFIA is restricted to projects costing at least \$50 million, with the exception of projects for Intelligent Transportation System (ITS) projects, which must cost at least \$15 million.

TIFIA has been previously used to assist major transportation investments of national significance, including international bridges and tunnels, intercity passenger rail facilities, and publicly owned intermodal freight rail facilities on or adjacent to the NHS. The construction of the Build Alternative would require a private entity for either sponsorship or partnership to utilize TIFIA.

6.1.6 Railroad Rehabilitation and Improvement Financing (RRIF)

The RRIF program provides loans and credit assistance for public and private sponsors of intermodal and rail projects, including Class I and short-line railroads.



This program enables USDOT to make direct loans and loan guarantees to State and local governments, government sponsored authorities and corporations, and railroads and joint ventures that include at least one railroad. Eligible projects include:

- Acquisition, improvement or rehabilitation of intermodal or rail equipment or facilities (including tracks, components of tracks, bridges, yards, buildings and shops);
- Refinancing outstanding debt incurred for these purposes; or
- Development or establishment of new intermodal or railroad facilities.

The FRA can authorize direct loans and loan guarantees up to \$35 billion and up to \$7 billion for projects benefiting non-Class I carrier freight railroads. The loans can fund up to one hundred percent of a railroad project with a repayment period of up to 25 years and interest rates equal to the cost of borrowing from the government. The Build Alternative would qualify for this loan program to cover some or all of the project construction costs, but the funds would need to be repaid over time and with interest.

6.1.7 Grant Anticipation Revenue Vehicle (GARVEE)

GARVEE is a type of bond or similar financing method issued by a State or State infrastructure bank under the guidelines of the National Highway System Designation Act of 1995, eventually made permanent in Section 122 of Title 23 of the United States Code. States must repay the bonds using Federal funds expected to be received in the future. Some financing under this plan is referred to using the term Grant Anticipation Note (GAN).

GARVEE bonds may be used for major projects receiving federal funding. They do not guarantee that the Federal government will provide the expected financing, and they are not guaranteed by the Federal government. Details of projects must be sent to the appropriate FHWA division office to make sure the project follows Federal rules for eligibility. FHWA approves only the projects, not the financing method. The State may also elect to use methods other than federal funding for repayment, and it may receive federal funds through a trustee or depository.

Eligible costs for projects may include interest, retirement of principal, costs for issuing bonds, and other incidental costs which must be approved. Bond proceeds not used for projects may be used to pay principal and interest, but they may not be reimbursed. FHWA may also repay a debt service reserve fund used to pay bondholders when Federal funds come later than needed. Reimbursement of a surety provider for interest and principal is also eligible; interest and penalties associated with payments to surety providers are not.



6.1.8 High Priority Project Program

The High Priority Projects Program provides designated funding for specific projects identified in Federal legislation such as SAFETEA-LU. In this program, a total of 5,091 projects have been identified, each with a specified amount of funding over the five years of SAFETEA-LU. These projects are funded by contract authority, available until expended. The funds designated for a project are available only for that project with the following exception:

- Funds allocated for a project specified below may be obligated for any other of these projects in the same State:
 - High Priority Projects listed in Section 1702 and numbered 3677 or higher;
 - Projects of National and Regional Significance listed in Section 1301 and numbered 19 or higher;
 - National Corridor Infrastructure Improvement Program projects listed in Section 1302 and numbered 28 or higher; or
 - Any Transportation Improvements project listed in Section 1934.

The authorization for a project from the category list may not be reduced.

Advance construction, using State funds until Federal funds are available, remains as an allowable method for States to construct these high priority projects. High priority projects may also be advanced with funds apportioned from a program under which the project would be eligible, and the funds are to be restored from future allocations of the high priority project funds for the project.

The High Priority Projects program is subject to obligation limitation that is set aside specifically for this program. The funds are available only for the activities described for each project specified in the subject federal legislation.

6.1.9 National Corridor Planning and Development (NCPD) and Coordinated Border Infrastructure (CBI) Programs

The NCPD and CBI provide funding for planning, project development, construction, and operation of projects that serve border regions near Canada and Mexico and for high-priority corridors throughout the United States. These programs are for highway corridors and border projects but a few projects were funded that benefited rail; such as the FAST corridor in Washington State.

The use of NCPD and/or CBI programs should be explored to fund the construction of the Build Alternative, but the likelihood of these programs being applied to the Build Alternative is low.



6.1.10 Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant Program

The TIGER Discretionary Grant program provides a unique opportunity for the USDOT to invest in road, rail, transit and port projects that promise to achieve critical national objectives. Representative projects are multi-modal, multi-jurisdictional or otherwise challenging to fund through existing programs. The TIGER program enables USDOT to use a rigorous process to select projects with exceptional benefits, explore ways to deliver projects faster and save on construction costs, and make investments in our Nation's infrastructure that make communities more livable and sustainable.

The construction of the Build Alternative would qualify for TIGER grants, but the widespread application of the resources for TIGER has created fierce competition for those funds. Most TIGER grant applications are either denied or receive only a small portion of what is requested. Despite the high level of competition, the Build Alternative would be an ideal project for TIGER grant funding.

6.1.11 Rail Line Relocation and Improvement Capital Grant Program

In order to assist State and local governments in mitigating the adverse effects created by the presence of rail infrastructure, Congress authorized the Rail Line Relocation and Improvement Capital Grant Program in 2005 through SAFETEA-LU. The final rule was published in the Federal Register on July 11, 2008. States, political subdivisions of States (such as a city or county), and the District of Columbia are eligible for grants under the program. Grants may be awarded for construction projects that improve the route or structure of a rail line and:

- are carried out for the purpose of mitigating the adverse effects of rail traffic on safety, motor vehicle traffic flow, community quality of life, or economic development; or
- involve a lateral or vertical relocation of any portion of the rail line.

Pre-construction activities, such as preliminary engineering, design, and costs associated with project-level compliance with NEPA, are considered part of the overall construction project and are also eligible for funding. However, activities such as planning studies and feasibility analyses are not eligible for funding.

This grant program was created for a project such as the Build Alternative and was authorized for up to \$350 million a year from 2006 through 2009. However, since the program was established in 2006, Congress has appropriated only approximately \$90 million and nothing for fiscal year 2012. Funding for the Build Alternative could be achieved through this program, but supplemental funding would likely be necessary as appropriations for this program have been well below the amount needed for the construction of the Build Alternative.



6.1.12 Rail Safety Improvement Act of 2008

The Rail Safety Improvement Act of 2008 Requires Class I railroads, intercity, and commuter railroads to develop safety programs. The Rail Safety Improvement Act provides Railroad Safety Infrastructure improvement grants that cover as much as 80 percent of project costs for eligible railroads, States and local governments. The legislation provides \$1.6 billion for rail safety for FY 2009 through FY 2013. The bill also authorizes \$250 million in Railroad Safety Technology Grants. These grants require a 20 percent minimum State or local funding match, but priority is given to projects that provide a larger percentage of matching funds. For projects to be eligible, they must be in the respective State's rail plan. Five percent of the funds are reserved for projects of less than \$2 million in total cost.

6.1.13 Summary of Federal Programs

The most beneficial Federal programs for freight rail to date have been the FHWA Section 130 grade crossing and CMAQ programs, and the FTA Rail Modernization Program (which has funded commuter rail improvements that have been indirectly beneficial to freight rail). The recent TIGER and Rail Line Relocation programs have also been largely successful in providing funding for freight railroad projects. For the future, the proposed changes for the next surface transportation reauthorization noted in **Table 6-1** all have the potential to spur additional investment in freight rail projects. For large-scale projects, the proposed program for Projects of Regional and National Significance is of most interest along with the Section 130 grade crossing program or its successor. CMAQ remains as another eligible funding source. The TIFIA loan and credit enhancement program offers possibility if a revenue stream is identified. RRIF will likely continue as the program of choice for smaller regional and short-line railroads. Private Activity Bonds and Tax Credit Bonds present two interesting funding possibilities on the horizon. Private activity bonds could give private railroads access to tax-exempt financing for rail improvements, thus significantly reducing the cost of capital. This could allow the railroads, States, and local governments to jointly pursue tax-exempt borrowing.

Table 6-1 Current and Proposed Federal Funding Programs

Current and Proposed Federal Programs	Current Eligibility for Freight Rail-Related Improvements	Impediments	Proposed Reauthorization Changes
NHS	Can fund highway intermodal connectors to rail terminals.	Connectors are normally lower priority on NHS system and there is no eligibility for rail improvements.	Future reauthorization bills propose set-asides for intermodal connectors.
STP (including Section 130 Rail-Highway Grade Crossing Program)	Section 130 funds rail highway grade crossing safety improvements. STP in general can fund improvements to accommodate freight rail, under certain circumstances. Work allowed includes: "...lengthening or increasing vertical clearances of bridges, adjusting drainage facilities, lighting, signage, utilities, or making minor adjustments to highway alignment..."*	STP normally can't fund freight rail other than highway grade crossings, which must have safety benefit.	Increased funding for Section 130 in Safe, Accountable, Flexible, and Efficient Transportation Equity Act A Legacy for Users (SAFETEA-LU) and Transportation Equity Act: (TEA-21); Administration and SAFETEA –LU makes all STP funds eligible for publicly owned intermodal facilities including rail.
CMAQ	Can fund any transportation project that improves air quality including operations for up to 3 years.	Air quality oriented, not for capacity improvements.	No change for freight.
TIFIA	Provides loans and credit assistance for highway and public intermodal rail facilities.	Private rail not eligible. Current project minimum \$100 million.	Administration proposes to make private rail eligible. Project minimum reduced to \$50 million. Requires a revenue stream.
RRIF	Provides loans and credit assistance to private railroads.	Applicant must provide Credit Risk Premium. "Lender of last resort" provision has caused some concern.	No changes proposed.
GARVEE	The Grant Anticipation Revenue Vehicle (GARVEE) bond is a financing instrument with principal and/or interest repaid with future Federal-aid highway funds.	Eligibility is constrained by the underlying Federal-aid highway programs.	Same as for SIBs, underlying Federal program eligibility carries through into GARVEEs.
TIGER	Can be used to fund projects that can be completed quicker, that cannot be funded under traditional programs, are nationally significant, and promote sustainable and livable communities.		Proposed reauthorization language should continue with this program.
Rail Line Relocation	Can fund construction projects that improve the route or structure of a rail line.	Funding allocation is usually under \$30 million per year, with the average grant award being \$2.5 million.	Proposed reauthorization language should continue with this program.
Borders and Corridors	Border and corridor programs are for improvements to highway trade corridors and border crossings and have been used for rail grade crossings; e.g., FAST.	Very limited eligibility for rail; highway needs dominate.	Administration proposes eligibility for multiState, multimodal corridor planning; SAFETEA and TEA-LU propose expanded funding with current eligibilities. All bills separate borders and corridors.

Table 6-1 Current and Proposed Federal Funding Programs (cont'd)

Current and Proposed Federal Programs	Current Eligibility for Freight Rail-Related Improvements	Impediments	Proposed Reauthorization Changes
Rail Modernization	Public transit program – can fund commuter rail improvements that have associated benefits for freight.	Must have primarily passenger benefit.	Likely source for flyover projects benefiting commuter rail.
High-Priority Projects	Rail Intermodal Projects occasionally earmarked by Congress, such as Detroit rail intermodal terminal in TEA-21.	Normally focused on large highway projects.	This source and new program for “Projects of Regional and National Significance.”
Projects of Regional and National Significance	Proposed program.		TEA-21 proposes new discretionary program for “Projects of Regional and National Significance” that could include freight rail projects.
Private Activity Bonds	Allows private sector access to tax-exempt debt. Currently not available for surface transportation.		Administration and SAFETEA-LU propose \$15 billion private activity bond volume for highway and rail projects. This would allow railroads to participate in tax-exempt borrowing along with city and State.
Tax Credit Bonds	Tax-credit bond financing is a new form of federally subsidized debt financing, where the investor receives a Federal tax credit in lieu of interest payments on the bonds. Currently not available for transportation.		AASHTO proposes a Transportation Investment Corporation to issue \$80 billion in tax credit bonds, a portion to benefit intermodal freight. An institutional mechanism, Bonds for America, has been proposed in SAFETEA-LU but no funding has been provided.
Short Line Railroad Tax Credit	Expenditures that qualify for the credit include gross expenditures for maintaining railroad track, which includes roadbed, bridges, and related track structures, that are owned or leased as of January 1, 2005, by a Class II or Class III railroad.		An extension of the tax credit is being pursued by the ASLRRRA.
Rail Safety Improvement Act	For projects to be eligible, they must be in the State’s Rail Plan.		An extension of this program is being proposed in the new surface transportation reauthorization bill.

6.2 STATE PROGRAMS

In addition to Federal funding, many States provide funding for freight rail projects. In most cases, State programs were initiated by the Federal rail service assistance program established by the Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act), and amended by the Local Rail Service Assistance Act of 1978 (LRSA). The LRSA program provided funding on a Federal/local matching share basis for four types of projects: rehabilitation, new construction, substitute service, and acquisition. The LRSA program permitted States to provide funds on a grant or loan basis. LRSA was updated in 1990 to the Local Rail Freight Assistance program (LRFA) and the criteria for lines eligible to receive assistance were revised. Funds for the program were dramatically reduced in the 1990s, and congressional appropriations ceased in 1995. Despite the lack of Federal funds, many States have continued their freight rail assistance programs through remaining LRFA funds (repaid loans) or through apportionment of State funds. The objectives of most of these programs have been job retention, economic development, and safety. More recently, benefits accrued to highway congestion mitigation and avoided highway costs are being considered.

Transportation finance at the State level in Mississippi (via MDOT) is dominated by a series of user-based revenues. The most prominent of these revenues are the State motor fuel tax, tag fee, and privilege tax. Mississippi also receives contract authority in the form of Federal-aid apportionments as authorized by the ISTEA, and successor legislation (TEA-21 and SAFETEA-LU). MDOT shares State-generated user fees with local governments. Counties receive a significant portion of the State motor fuel tax and the State privilege tax, while municipalities receive a small share of the State motor fuel tax. Counties and municipalities also share federal funds with MDOT. A substantial share of local transportation funding is derived from portions of local real estate property taxes, bonds and the Personal Property Tax.

6.2.1 Mississippi Freight Rail Service Projects Revolving Loan/Grant Program (RAIL)

The Mississippi Freight Rail Service Projects Revolving Loan/Grant Program (RAIL) administered by the Mississippi Development Authority (MDA) is designed for making loans and grants to municipalities and/or counties to finance freight rail service projects in the State of Mississippi. Counties and municipalities are encouraged to use these funds in connection with other State and Federal programs. Funding for loans and grants to applicants is derived from the issuance of State bonds. RAIL was enacted by the State Legislature during the Regular 1995 Session. The governing authority of a municipality or county is eligible to apply for this program. Under this program, a project which involves the acquisition, construction, installation, operation, modification, renovation or rehabilitation of any freight rail service facilities is eligible. Also eligible are projects which may include any fixtures, machinery or equipment, used in conjunction with any freight rail service facilities, including construction costs (including reasonable and customary site work for buildings, right of ways, easements, etc.). Under the grant program, there is a maximum amount of \$250,000 per project. Under the loan program, the cumulative maximum loan amount is limited to \$1,000,000 per project per calendar year. Up to 8% of the principal loan amount may be used for design work, (i.e. engineer or



architect;engineering and/or architectural costs above 8% may be paid from other funding sources). The loan term is a maximum of 15 years or estimated life of project, whichever is less. Interest rates are 1% below the Federal Reserve Discount Rate at the time of loan approval. Funding is derived from the issuance of State general obligation bonds.

6.2.2 Industrial Rail Access Program (IRAP)

An Industrial Rail Access Program (IRAP) is created to provide financial assistance to improve industrial access to rail. These programs aim to preserve freight rail service, stimulate economic development through new or expanded freight rail service, and increase the use of rail transportation. An IRAP program would provide funding assistance for the construction or improvement of railroad tracks and facilities to serve industrial or commercial sites where freight rail service is currently needed, anticipated in the future, or in need of an upgrade. The funding program can allow financial assistance to localities, businesses and/or industries seeking to provide freight rail service between the site of an existing or proposed commercial facility and common carrier railroad tracks. It typically entails a partnership among the public sector, business owner, and railroad, which can all realized benefits from new or improved rail access.

IRAP programs are well-established in a number of States. Each State’s IRAP program, shown in **Table 6-2**, varies in terms of budget and the percent of local and private funds that are required. At the time of this study, Mississippi does not have an IRAP program.

Table 6-2 Sampling of State Industrial Rail Access Programs

State	Program Name	Match	Budget	Comments
Maine	Maine Industrial Rail Access Program (IRAP)	50% Minimum	\$1 million total program (2007)	
New York	New York State DOT Industrial Access Program (IAP)	\$1 million or 20% annual appropriation	60% Grant, 40% loan. Interest free 5 years	
North Carolina	Rail Industrial Access Program	50% Minimum	60% Grant, 40% loan. Interest free 5 years	
Pennsylvania	Pennsylvania Rail Freight Assistance Program (RFAP)	30% Minimum	Grant program	\$250,000 construction or 70%
Virginia	Virginia Rail Industrial Access Program (RIAP)	1 to 1 match above \$300,000	\$300,000 unmatched funds per project. No more than \$450,000 to any one county, town, or city in one FY.	Funds cannot be more than 15% of recipients capital outlay
Wisconsin	Freight Rail Infrastructure Improvement Program	\$3 million per project.	Loans require minimum of 2% annual interest	



6.3 PUBLIC-PRIVATE PARTNERSHIPS

Several States have instituted policies and programs that encourage public-private partnerships (PPP) to help leverage private investment into transportation infrastructure. There are two distinct forms of PPP arrangements: one where private entities lease public infrastructure and one where investment in infrastructure is shared by public and private entities, regardless of ownership.

There are a number of State and Federal programs that have been created to make public funds available to private railroads. Although public funds will benefit the private sector, public investment comes with restrictions and eligibility requirements. Projects generally have to provide measurable economic benefits, require matching funds, and in the case of rail may require accommodation of additional passenger service. The following are examples of existing PPP arrangements:

Alameda Corridor – This is a \$2 billion 20-mile rail expressway connecting Ports of Los Angeles and Long Beach to rail yards near Los Angeles. The project has allowed for faster, more efficient freight flows.

Chicago Region Environmental and Transportation Efficiency Program (CREATE) – This program is a partnership between the State of Illinois, City of Chicago, and the freight and passenger railroads. The program will upgrade track connections and expand routes, meaning faster connections and operations. The first stage of construction is underway now at \$330 million. This program also received TIGER funds.

Heartland Corridor – This project is a partnership between the Federal Highway Administration and a private railroad that will raise bridge and tunnel heights to allow double stacking between the East Coast and Chicago.

Texas PPP Legislation – Recent legislation allows PPP agreements through Comprehensive Development Agreements (CDA) for project development and execution for transportation corridors with rail.

Virginia Department of Rail and Public Transportation – This department accepts solicited and unsolicited proposals from private entities to construct, improve, maintain, and operate highways.

CSX Boston/Worcester Line – The MBTA acquired the property rights of the Boston to Worcester rail line from CSX Corporation, increasing the potential for additional commuter service. As part of this transaction, the Commonwealth and CSX will increase the vertical clearances of bridges along the railroad main line between I-495 and the New York State line to accommodate double-stack freight trains. The Commonwealth will assume responsibility for raising highway bridges, while CSX will be responsible for lowering tracks.

These partnerships allow private and public entities to pool resources together to make key infrastructure investments possible. For example, financing through public entities may allow for low interest loans that the private sector would not otherwise have access to, or key investments by both parties in land and rail could lead to improved access to intermodal/distribution facilities resulting in economic benefits.

The public sector has fairly limited experience with PPP arrangements and must be careful when defining contractual terms to ensure that private interests are not out-weighting those of the public. As of now, PPP agreements have yet to be standardized and vary for each project and program. Effective PPP should provide positive public and private benefits, and offer equitable cost sharing arrangements between the parties.

6.4 OLATHE CASE STUDY

The freight railroad viaduct in Olathe, Kansas consisted of an 8,000-foot long viaduct built mostly on fill with four bridge structures for the BNSF railroad to cross over roadways to alleviate the roadway congestion and air quality issues caused by trains at at-grade crossings. The project is similar to, but smaller than, the Build Alternative and used a variety of funding mechanisms to finance the \$45 million construction cost, including:

- \$20 million from Kansas Highway Bill funds;
- \$15 million from the sale of City bonds;
- \$5 million from Federal appropriations;
- \$3 million from the CMAQ program; and
- \$2 million from BNSF.

The project utilized a PPP between the railroad and the City, and engaged funds from the State and Federal governments as well as secured grant funding through a Federal grant. This strategy allowed the project to move into design in 2005, and construction was completed in 2009. The Build Alternative would likely have to include a variety of funding mechanisms, as the Olathe project has done.